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SUBJECT: FOOD SAFETY CAMPAIGN WON, BUT THE REAL BATTLE IS JUST
BEGINNING

Ref: A. 07 Beijing 4561

[1](#)B. 07 Beijing 4808
[1](#)C. 07 Beijing 5255
[1](#)D. 07 Beijing 5271
[1](#)E. 07 Beijing 5899
[1](#)F. 07 Guangzhou 1270

[1](#)1. (SBU) Summary: Chinese officials claimed success January 16 at the official wrap-up meeting for the four-month food and product safety "rectification campaign" and announced plans for a long-term regulatory structure to continue monitoring production quality of the nation's industries. Despite shutting down hundreds of food and consumer product manufacturers, revoking export permits, and inspecting tens of thousands of factories, Vice Premier Wu Yi and AQSIQ Minister Li Changjiang emphasized at the event that much work remains to be done. Regulatory agencies will now seek to solidify the campaign's achievements and develop a culture of quality and safety through more effective supervision and enforcement. An AQSIQ official told ECON Mincouns that his agency has recommended to the State Council that it preserve the Leading Group on Food Safety and Product Quality, however, a decision is not expected until February.
End Summary.

[1](#)2. (SBU) AQSIQ Policy and Legislation Director General Liu Zhaobin met January 18 with ECON Mincouns and econoff to discuss the results of the food and product safety campaign and pending Chinese legislation (septel), as well as the future of the Leading Group on Food Safety and Product Quality.

Campaign's Key Achievement:
Improving Food Safety

13. (SBU) According to Liu, the food and product safety campaign yielded three primary achievements: it established a method for the implementation and enforcement of food safety measures; it provided a survey of China's food industry; and it achieved the "twelve one-hundred percent" goals for conformity with regulations. In the campaign's aftermath, national regulators will continue to oversee large-scale food enterprises through certification systems, while local food safety authorities will be responsible for "Tracing and Filing Systems" that oversee small, local enterprises. DG Liu said that AQSIQ now has a better grasp of the structure and development of China's food industry, particularly small-scale food enterprises with 10 or fewer employees, which comprise 79 percent of the 448,000 food enterprises, according to the August 2007 White Paper on Food Quality and Safety.

14. (SBU) Official Chinese statistics from the campaign suggest impressive strides were made; however, there is no comparable historical data to gauge what was actually achieved. The official numbers include: of 98,000 food enterprises, 100 percent are now registered for production; of 120,000 small scale food workshops, 100 percent signed quality safety commitments; 100 percent of 2.8 million supermarkets and grocers established food supply verification practices; and 10 percent of 33,000 consumer product manufacturers have conducted quality record-keeping. (Begin Comment: This data suggests the campaign covered the larger food enterprises, i.e., those 20 percent with more than 10 employees, and perhaps also represents the majority of those which might be exporting products. There are still 353,000 small food processors producing for the local, China market. However, this "report card approach" is not really useful for gauging China's progress as food safety is clearly not a one-time event but rather a long-term, continuous process. Other kinds of data, such as a demonstrated lower incidence of substandard goods, would be more relevant indicators of improvement

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but would take longer than a four-month campaign to demonstrate success. Increased registration and supervision, while steps in the right direction, are means to an end, not ends in themselves. Inquiries with AQSIQ to clarify campaign results and place them in a historical context, including confirmation of the number of food processing firms yet to be licensed, have not yet been answered. End Comment)

15. (SBU) There is also some unfinished toy business to address. AQSIQ revoked toy manufacturer export certifications last fall and required new factory inspections before factories could be recertified. According to a Beijing-based exporter, while some of the larger and politically well-connected manufacturers have been inspected and recertified, smaller to medium-sized firms are still waiting for inspectors to show up. In some instances, when inspections have taken place, firms have been waiting more than four weeks for their certificates to be issued. With exporters worried about their 2008 pricing strategy amidst importer demands for costly testing, delayed recertification only adds to their business uncertainty.

Preparing for the Long Term

16. (SBU) According to Liu, the next phase of China's food and product safety regulation will encompass "two chains, two systems, and one network." The first "chain" is Product Whole Process Supervision covering product design, material procurement, manufacturing, sales, and service. The other "chain" is Food Whole Process Supervision, covering farming, processing, distribution, retailing and consumption. The "two systems" are a food safety Quality Traceability System and a Responsibility Accountability System. The "network" refers to a national Product Quality and Safety Supervision Network. The goal with this concept is to create a more comprehensive and systematic approach to the regulation of food and product safety at all levels of government and within business supply chains. While details are not yet available, Liu said that this regulatory framework reflects the nature of China's system where government regulates a process, unlike the U.S. system which assigns regulation of products to particular federal agencies. (Comment: These "chains" perhaps represent a similar approach to

that elaborated by the U.S. Import Safety Working Group in their November 2007 Import Safety Action Plan, where a major recommendation is to focus on risks over the entire life cycle of a given product to assure quality.)

17. (SBU) Vice Premier Wu Yi and AQSIQ Minister Li Changjiang in their remarks at the January 16 campaign wrap-up meeting acknowledged the challenge of implementing new safety rules. The 2007 campaign was a one-off program to resolve critical problems in specific areas and industries, they noted, but future campaigns will follow. The goal now is to prevent any backsliding and address areas that fell outside the scope of this recent campaign, such as agricultural goods and wholesale food markets. While 120,000 small food shops may have signed "food safety pledges" during the campaign, for example, Wu Yi noted that many seasonal shops are still not certified and illegal advertisements still proliferate. Furthermore, while food and toy recall regulations were released August 2007, there is still no mechanism for implementing them or deciding which agency under what circumstances takes charge of recalls.

Whither the Leading Group?

18. (SBU) AQSIQ has recommended to the State Council that it preserve

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the Leading Group on Food Safety and Product Quality chaired by Vice Premier Wu Yi. If the State Council in February approves the continuation, DG Liu said, Wu Yi's replacement as the Chair of this leading group could then be announced. Liu said that AQSIQ was an important player in the Leading Group, but not important enough to offer up a Chair. AQSIQ, in his opinion, would not become part of a "super ministry" for food and product quality in the same way that energy, transportation, and environment-construction ministries might be restructured, as some observers expect.

Comment: The Future of
Food and Product Safety

19. (SBU) The key achievement of China's food and product safety campaign is that it elevated the issue of food and product safety to the national stage and committed political and economic resources to addressing the system's shortcomings. (In this sense, it is very similar to the various IPR campaigns that China has launched and "won.") The notion of "safety" is now an accepted topic in public debate, as evidenced by the government's lead in using mass media to drive home its message. Broad, official statements even indicate that regulators want help exposing problems in the future and want government to communicate more with the public. The August 2007 White Paper on Food Quality and Safety acknowledges a role for media (albeit undefined) in reporting violations, while the new food safety law (septel) includes whistleblower clauses and requires agencies to notify consumers about food safety risks (although it does not specify how nor in what timeframe). Somewhat surprisingly, the campaign itself did not contribute to the drafting or tweaking of China's new food safety law.

110. (SBU) While AQSIQ and other government agencies have yet to define all of the elements of a beefed up regulatory system, United States engagement and foreign media attention on the issue has helped accelerate the process of reform and supervision. As a Beijing CIQ official remarked to Econoff, United States pressure following the 2007 food and toy safety problems pushed China to take remedial measures it would not have taken voluntarily. Although this safety crisis was sparked by substandard Chinese exports, the reforms that China now wants to put into place will target quality of both exported and domestically consumed goods; Chinese consumers will benefit. However, from the perspective of the U.S. manager of a major food processing firm in China, food safety is a "continuous process, not a one-time hit." Ensuring safety will depend on how well Chinese regulators implement reforms as well as on an attitudinal shift by producers and manufacturers about the value of product safety to their business success, rather than on the political success of a campaign. Post will continue to stay engaged

with key Chinese agencies as they move forward on their regulatory reforms.

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